

AMENDED IN SENATE APRIL 28, 2009

AMENDED IN SENATE APRIL 21, 2009

AMENDED IN SENATE MARCH 19, 2009

## **SENATE BILL**

**No. 116**

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### **Introduced by Senator Calderon**

January 29, 2009

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An act to amend Sections 16430, 17211, 17212, 17222, 17240, 17243, 17244, 17245, 17253, 17271, 17275, and 17276 of the Government Code, relating to public finance, and declaring the urgency thereof, to take effect immediately.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 116, as amended, Calderon. State warrants.

(1) Existing law specifies the types of securities that are eligible for the investment of surplus state funds.

This bill would include warrants as a type of security that is eligible for the investment of surplus state funds.

(2) Existing law sets forth the procedures for the sale and payment of registered warrants, reimbursement warrants, and registered reimbursement warrants, including the manner in which interest is fixed for the warrants.

This bill would modify the procedures for the sale of, applicable interest rates for, and payment of interest for, registered warrants, reimbursement warrants, and registered reimbursement warrants in specified circumstances.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 16430 of the Government Code is  
2     amended to read:  
3     16430. Eligible securities for the investment of surplus moneys  
4     shall be any of the following:  
5     (a) Bonds or interest-bearing notes or obligations of the United  
6     States, or those for which the faith and credit of the United States  
7     are pledged for the payment of principal and interest.  
8     (b) Bonds or interest-bearing notes on obligations that are  
9     guaranteed as to principal and interest by a federal agency of the  
10    United States.  
11    (c) Bonds, warrants, and notes of this state, or those for which  
12    the faith and credit of this state are pledged for the payment of  
13    principal and interest.  
14    (d) Bonds or warrants, including, but not limited to, revenue  
15    warrants, of any county, city, metropolitan water district, California  
16    water district, California water storage district, irrigation district  
17    in the state, municipal utility district, or school district of this state.  
18    (e) Bonds, consolidated bonds, collateral trust debentures,  
19    consolidated debentures, or other obligations issued by federal  
20    land banks or federal intermediate credit banks established under  
21    the Federal Farm Loan Act, as amended, in debentures and  
22    consolidated debentures issued by the Central Bank for  
23    Cooperatives and banks for cooperatives established under the  
24    Farm Credit Act of 1933, as amended, in bonds or debentures of  
25    the Federal Home Loan Bank Board established under the Federal  
26    Home Loan Bank Act, in stock, bonds, debentures and other  
27    obligations of the Federal National Mortgage Association  
28    established under the National Housing Act as amended, and in  
29    the bonds of any federal home loan bank established under that  
30    act, obligations of the Federal Home Loan Mortgage Corporation,  
31    in bonds, notes, and other obligations issued by the Tennessee  
32    Valley Authority under the Tennessee Valley Authority Act as  
33    amended, and bonds, notes, and other obligations guaranteed by  
34    the Commodity Credit Corporation for the export of California

1 agricultural products under the Commodity Credit Corporation  
2 Charter Act as amended.

3 (f) (1) Commercial paper of “prime” quality as defined by a  
4 nationally recognized organization that rates these securities.  
5 Eligible paper is further limited to issuing corporations, trusts, or  
6 limited liability companies approved by the Pooled Money  
7 Investment Board that meet the conditions in either subparagraph  
8 (A) or subparagraph (B):

9 (A) Both of the following:

10 (i) Organized and operating within the United States.  
11 (ii) Having total assets in excess of five hundred million dollars  
12 (\$500,000,000).

13 (B) Both of the following:

14 (i) Organized within the United States as a special purpose  
15 corporation, trust, or limited liability company.

16 (ii) Having programwide credit enhancements including, but  
17 not limited to, overcollateralization, letters of credit, or surety  
18 bond.

19 (2) Purchases of eligible commercial paper may not exceed 180  
20 days’ maturity, represent more than 10 percent of the outstanding  
21 paper of an issuing corporation, trust, or limited liability company,  
22 nor exceed 30 percent of the resources of an investment program.  
23 At the request of the Pooled Money Investment Board, this  
24 investment shall be secured by the issuer by depositing with the  
25 Treasurer securities authorized by Section 53651 of a market value  
26 at least 10 percent in excess of the amount of the state’s investment.

27 (g) Bills of exchange or time drafts drawn on and accepted by  
28 a commercial bank, otherwise known as bankers acceptances,  
29 which are eligible for purchase by the Federal Reserve System.

30 (h) Negotiable certificates of deposits issued by a federally or  
31 state-chartered bank or savings and loan association, a  
32 state-licensed branch of a foreign bank, or a federally or  
33 state-chartered credit union. For the purposes of this section,  
34 negotiable certificates of deposits do not come within the  
35 provisions of Chapter 4 (commencing with Section 16500) and  
36 Chapter 4.5 (commencing with Section 16600).

37 (i) The portion of bank loans and obligations guaranteed by the  
38 United States Small Business Administration or the United States  
39 Farmers Home Administration.

1 (j) Bank loans and obligations guaranteed by the Export-Import  
2 Bank of the United States.

3 (k) Student loan notes insured under the Guaranteed Student  
4 Loan Program established pursuant to the Higher Education Act  
5 of 1965, as amended (20 U.S.C. Sec. 1001 and following) and  
6 eligible for resale to the Student Loan Marketing Association  
7 established pursuant to Section 133 of the Education Amendments  
8 of 1972, as amended (20 U.S.C. Sec. 1087-2).

9 (l) Obligations issued, assumed, or guaranteed by the  
10 International Bank for Reconstruction and Development, the  
11 Inter-American Development Bank, the Asian Development Bank,  
12 the African Development Bank, the International Finance  
13 Corporation, or the Government Development Bank of Puerto  
14 Rico.

15 (m) Bonds, debentures, and notes issued by corporations  
16 organized and operating within the United States. Securities eligible  
17 for investment under this subdivision shall be within the top three  
18 ratings of a nationally recognized rating service.

19 SEC. 2. Section 17211 of the Government Code is amended  
20 to read:

21 17211. Registered warrants described in subdivisions (b) and  
22 (c) of Section 17212 issued in connection with any credit  
23 enhancement or liquidity agreement (including in the form of a  
24 letter of credit, standby purchase agreement, liquidity facility, or  
25 other similar arrangement) entered into by the state to secure or  
26 support any reimbursement warrants or refunding warrants issued  
27 pursuant to this chapter shall be based upon the same claims, and  
28 shall have the same priority as to payment from unapplied money  
29 in the General Fund, as the reimbursement warrants or refunding  
30 warrants paid with funds disbursed under or in connection with  
31 the credit enhancement or liquidity agreement. These warrants  
32 shall be issued and registered in the amounts requested by the  
33 provider of the credit enhancement or liquidity agreement.

34 SEC. 3. Section 17212 of the Government Code is amended  
35 to read:

36 17212. (a) Notwithstanding Section 17222, if at any time it is  
37 necessary to register warrants pursuant to this chapter for the  
38 payment of principal of or interest on notes issued pursuant to  
39 Section 17302, the warrants shall bear interest at either the fixed  
40 or variable interest rate specified in the notes as the interest rate

1 for that warrant or, if no rate is set forth, the fixed or variable  
2 interest rate borne by the notes. In both cases, the interest rate on  
3 those warrants shall not exceed 12 percent per annum.

4 (b) Notwithstanding Section 17222, if at any time it is necessary  
5 to register warrants pursuant to this chapter for the payment of any  
6 obligations of the state under any credit enhancement or liquidity  
7 agreement, including in the form of a letter of credit, standby  
8 purchase agreement, reimbursement agreement, liquidity facility,  
9 or other similar arrangement, authorized pursuant to Section 5922,  
10 the warrants shall bear interest at the fixed or variable rate specified  
11 in the credit enhancement or liquidity agreement as the interest  
12 rate for those warrants. Those registered warrants may provide for  
13 periodic payment of interest thereon prior to redemption.

14 (c) Notwithstanding Section 17222, if at any time it is necessary  
15 to register warrants pursuant to this chapter for the payment of any  
16 periodic interest payment on registered warrants described in  
17 subdivision (b), the warrants shall bear interest at the fixed or  
18 variable rate specified in the credit enhancement or liquidity  
19 agreement as the interest rate for those warrants and shall be  
20 payable only upon redemption of the warrants.

21 (d) Notwithstanding subdivisions (b) and (c), in no case shall  
22 the total sum of interest payments under the credit enhancement  
23 or liquidity agreement and on any warrants described in  
24 subdivisions (b) and (c) exceed the amount of the appropriation  
25 pursuant to law for the payment of interest under the credit  
26 enhancement or liquidity agreement.

27 SEC. 4. Section 17222 of the Government Code is amended  
28 to read:

29 17222. By a majority vote, the committee shall fix the rate of  
30 interest paid on registered warrants at not more than 5 percent per  
31 annum, except, if the committee determines that it is in the best  
32 interests of the state to do so, the committee may fix the rate of  
33 interest paid on any registered warrants at no more than 12 percent  
34 per annum.

35 SEC. 5. Section 17240 of the Government Code is amended  
36 to read:

37 17240. As used in this chapter:

38 (a) "Reimbursement warrants" refers to warrants drawn by the  
39 Controller on the General Fund pursuant to this article to reimburse  
40 the General Cash Revolving Fund for demands against the General

1 Fund for which warrants were drawn against the General Cash  
2 Revolving Fund.

3 (b) “Refunding warrants” refers to warrants drawn by the  
4 Controller on the General Fund pursuant to this article to provide  
5 funds for the payment of reimbursement warrants bearing a fixed  
6 maturity date or warrants issued pursuant to Section 17211.

7 SEC. 6. Section 17243 of the Government Code is amended  
8 to read:

9 17243. The Controller may fix a maturity date for  
10 reimbursement warrants, and indorse upon each warrant, the date  
11 upon which the principal amount of the warrant will be paid and  
12 redeemed. The Controller, *with the concurrence of the Department*  
13 *of Finance and the Office of the State Treasurer*, may fix periodic  
14 payment dates for interest on reimbursement warrants or provide  
15 that interest on reimbursement warrants be paid only upon  
16 redemption, provided that interest on registered reimbursement  
17 warrants for which the committee has not fixed a maximum rate  
18 of interest pursuant to Section 17244 shall be paid only upon  
19 redemption of the registered reimbursement warrant.

20 SEC. 7. Section 17244 of the Government Code is amended  
21 to read:

22 17244. (a) Notwithstanding any other provision of law, in lieu  
23 of prescribing a precise interest rate on registered reimbursement  
24 warrants, the committee may fix a maximum rate of interest for  
25 the warrants, not to exceed 12 percent per annum for either fixed  
26 or variable interest rate warrants, and prescribe that the interest  
27 rate on the warrants, not in excess of that maximum, shall be either  
28 of the following:

29 (1) Fixed in accordance with the best bids for the warrants if  
30 the warrants are sold at public sale.

31 (2) Fixed or variable on the terms and conditions the Controller  
32 shall approve at the time of sale of the warrants if the warrants are  
33 sold in negotiated sales.

34 (b) Different rates of interest for any reimbursement warrants  
35 may be so fixed or established by the Controller.

36 SEC. 8. Section 17245 of the Government Code is amended  
37 to read:

38 17245. Registered reimbursement warrants shall be sold by  
39 the Controller at public sale to the best bidders or in negotiated  
40 sales on the terms and conditions the Controller shall approve, but

1 at no less than face value of the registered reimbursement warrants  
2 offered.

3 SEC. 9. Section 17253 of the Government Code is amended  
4 to read:

5 17253. The proceeds of the sale of any registered  
6 reimbursement warrant shall be deposited in the State treasury; an  
7 amount equal to its face value shall be credited to the General Cash  
8 Revolving Fund; and any premium received shall be deposited in  
9 the General Fund and used for the payment of interest on the  
10 registered reimbursement warrants.

11 SEC. 10. Section 17271 of the Government Code is amended  
12 to read:

13 17271. (a) A registered warrant that bears a maturity date shall  
14 be paid by the Treasurer upon that date out of any unapplied money  
15 in the General Fund on the due date, available therefor.

16 (b) Notwithstanding subdivision (a), accrued interest on a  
17 registered reimbursement warrant shall be paid by the Treasurer  
18 on each payment date established pursuant to Section 17243 out  
19 of any unapplied money in the General Fund available therefor on  
20 the payment date.

21 (c) Notwithstanding subdivision (a), a registered reimbursement  
22 warrant may provide that it may be redeemed at the option of the  
23 ~~Controller~~ *committee* prior to the maturity date of the warrant at  
24 a redemption price not to exceed 110 percent of the principal  
25 amount of the warrant plus accrued interest. The optional  
26 redemption price shall be paid by the Treasurer out of any  
27 unapplied money in the General Fund available therefor on the  
28 optional redemption date.

29 SEC. 11. Section 17275 of the Government Code is amended  
30 to read:

31 17275. Any interest paid on any registered warrant shall accrue  
32 to the person holding the warrant on the date of redemption, except  
33 a registered reimbursement warrant may provide otherwise. A  
34 registered warrant ceases to bear interest on the first of the  
35 following dates:

36 (a) The maturity date indorsed on its face, if any, if on that date  
37 unapplied money or the proceeds of refunding warrants are  
38 available for its payment.

1 (b) The date of redemption, so long as the date is at least three  
2 days following the first day of published notice pursuant to Section  
3 17273.

4 (c) The date specified in subdivision (b) of Section 17280.1.

5 SEC. 12. Section 17276 of the Government Code is amended  
6 to read:

7 17276. (a) If on the maturity date indorsed on a registered  
8 reimbursement warrant, there is no money available for its  
9 payment, either from unapplied money, or from the proceeds of  
10 refunding warrants the registered reimbursement warrant shall  
11 continue to bear interest on the principal amount of the warrant  
12 and shall become payable in the same manner as registered  
13 warrants not bearing maturity dates.

14 (b) Notwithstanding Section 17222, if at any time it is necessary  
15 to register warrants pursuant to this chapter for the payment of any  
16 interest payment on a registered reimbursement warrant, those  
17 warrants shall bear interest at the fixed or variable rate determined  
18 by the Controller and as specified in the registered reimbursement  
19 warrant as the interest rate for those warrants. Interest on those  
20 warrants shall be payable only upon redemption of the warrants.

21 (c) Notwithstanding subdivision (b), in no case shall the total  
22 sum of interest payments on the registered reimbursement warrant  
23 and the warrants registered for the payment of any interest payment  
24 on that registered reimbursement warrant exceed an amount equal  
25 to the interest that could have accrued on the registered  
26 reimbursement warrant at the maximum interest rate that could  
27 have been fixed by the committee thereon pursuant to subdivision  
28 (a) of Section 17244.

29 SEC. 13. This act is an urgency statute necessary for the  
30 immediate preservation of the public peace, health, or safety within  
31 the meaning of Article IV of the Constitution and shall go into  
32 immediate effect. The facts constituting the necessity are:

33 In order to allow the state to promptly respond to its financial  
34 needs and improve its ability to sell various warrants at the lowest  
35 possible cost, it is necessary that this act take effect immediately.